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PRICE ECONOMICS VERSUS WELFARE ECONOMICS

What is the central theme of economics? Or perhaps it would be better to ask, "What should it be?" From the beginnings of political economy as a separate branch of study, two more or less conflicting conceptions of the subject have been present in the minds of men. According to one conception the aim of economics is to study prices, profits, and trade; according to the other, it is to study the relations between wealth and human welfare. Throughout the history of economic doctrine these two conceptions of its purpose have been frequently confused in thought. Even writers who have sought to adopt definitely one of these conceptions have later confused it with the other. Failure to recognize the fundamental difference between the two conceptions of the subject has caused much discussion at cross-purposes. This is not a matter of mere historical interest in our study, one of the childish errors now outgrown and therefore easily to be viewed with gentle indulgence; on the contrary, it is a difficulty still pervading contemporary economics, often despite honest attempts to keep the two views distinct and to do justice to them both. To-day there are pretty well defined differences of opinion on this subject among capable economic students. The majority of economists, however, confined to their own narrower fields in this day of specialization, have really not faced the question, but in their thought on economic questions, simply imply an attitude and assume a philosophy respecting it without consciously defining either. Yet clear convictions in this matter are of primary importance to the theoretical progress and to the practical results of economic study.

Every serious economic student should face this question and seek to make a decision upon it. As an aid to this end we shall attempt in this paper to trace the growth of the commercial conception of economics from the time of Adam Smith to its apogee in J. S. Mill and to describe the contemporary opposition to it. In a following paper we shall examine more recent opinions and seek to draw conclusions of a positive nature. The movement of thought which we are tracing, while it was more or less paralleled

in every other advanced country, appeared first in England, was more clearly marked, and was carried to more typical extremes there than elsewhere. We shall therefore in this survey limit our attention almost entirely to English writers.

Adam Smith, in this matter, as in most others, was somewhat eclectic, his treatment containing the germs of all the later divergent opinions. In spirit and in general doctrine, however, he shows himself to be most of the time a welfare economist rather than a commercial or price economist. The *Wealth of Nations*, primarily an essay in economic art, centers about the one purpose of showing the futility of the policy of state interference as it had developed in the countries of Europe. But when arguing for laissez faire, he is thinking of results to the whole people, rather than identifying personal judgment of price and individual commercial gain with general welfare. It happened that the policy of national interference with industry had been interwoven for nearly two centuries with mercantilism in Europe, and mercantilism had skillfully "camouflaged" its plea for countless favors to powerful special interests in the commercial classes, under the guise of a philosophy and policy to enrich the nation by increasing and maintaining the stock of precious metals. Therefore, to show that monetary price was not a true index to wealth or national well-being was directly in line with the task Smith had set for himself. He did show this at every opportunity.¹

Smith more easily could distinguish between monetary prices and national wealth because of his use of the word "price" in a broader sense than that which became prevalent among his followers,² and from the first he contrasted "the price of commodities" in labor and in money.³

¹ For example, book I, ch. 5, where is developed the distinction between "the real and nominal price of commodities and labor," showing that the laborer may at different times lay down "his ease, his liberty, and his happiness" in return for very different quantities of goods. In book IV, ch. 1, he gives an extended proof that money is no true index to national wealth, and multiplying the precious metals is not "the great object of national industry and commerce" (p. 341). In book I, ch. 8, section IV, he shows how "the real recompense of labor" had been increasing throughout the eighteenth century, and expresses his own satisfaction in this improvement in the condition of the "greater part" of the members of political society.

² See my study of the "The Definition of Price," in *AMERICAN ECONOMIC REVIEW*, vol. II, Dec., 1912, pp. 783-813, with reference to A. Smith, especially pp. 785, 800.

³ See title to chapter 5, book I.

In the passages cited and in numerous others Smith takes either the broad national or social view, as opposed to that prevalent in certain commercial circles, or the democratic view in sympathy with a diffused popular welfare, as opposed to the profits merely of the manufacturing or of the employing class.⁴

Smith also at some points gave clear recognition to non-monetary motives (in modern phrase, the psychic income elements) in his extended discussion of the choice of occupations and of investments by laborers and capitalists respectively.⁵

And yet we may be too generous in judgment if we overlook in Smith certain ideas and terms which were well fitted to develop, in the thought of his successors, a narrower commercial conception of economics. It is familiar history that his doctrine of non-interference with industry came to be the comfortable defense of every evil of the new manufacturing plutocracy. Moreover the very practicality of Smith's treatment led into the market place, and directed attention to "exchange value" rather than to the underlying psychology of choice and of motives in industry. He almost entirely ignored any psychological elements in economic problems excepting those involved in the buying and selling of goods and services on a market. He contributed also to the confusion between "value in use" as the desirability of an object for a person's own use, with utility as real importance to welfare, thus dropping out from value and utility almost all of the fundamental welfare considerations. We cannot pursue this thought here, for it would lead us too far afield, but undoubtedly this fact gave a freer field to the commercial aspects of political economy in Smith's treatment and still more in that of his successors.

The *Wealth of Nations*, immediately on its appearance, was

⁴ Smith's reference to "the invisible hand" which leads men, while pursuing their own gains, to promote "that of the society" has been perhaps too much cited as a proof that Smith believed in the divine harmony between all acts of commercial self-interest and "the public good." (Book IV, ch. 2.) The context shows that his immediate purpose was to discredit the professions of benevolent interest on the part of those who ask for tariffs and bounties favorable to their own businesses. He wished to show, using a bit of sarcasm, that the result will be at least as good, and probably better, if men are permitted to carry on foreign trade as they will, instead of being forbidden by legislation in the interests of another group seeking a monopoly of domestic industry.

⁵ See especially book I, chapter 10, "Wages and profit in the different employments of labor and stock."

highly valued by men of letters, but it did not gain wide influence and popular reputation until after the economic work of David Ricardo. We have contemporary testimony to the effect that: "Surprising as it may appear, it is no less notorious that up to the year 1818 the science of political economy was scarcely known or talked of beyond a small circle of philosophers; and legislation, so far from being in conformity with its principles [doubtless meaning *laissez faire*] was daily receding from them more and more."⁶

The years from 1776 to 1815 appear pretty barren in the history of English economic thought, for though there were in that period many articles and books on political and social reform, they have mostly fallen into oblivion.⁷ Malthus, the one name that stands out most clearly in the midst of this obscurity, was, by virtue of the one great theme of his life, the population problem, a welfare economist primarily, and his attention was fixed upon material conditions of well-being, extent of territory, fertility, means of production, density of population, and general levels of production, as later embodied in the law of diminishing returns.⁸

David Ricardo's main work appeared in 1817 and it is no mere chance that the beginning of the great increase of popular interest in economics indicated above should, by observers, have been dated the following year. Ricardo and Malthus, though friends, thought on most subjects in different terms, and saw things from different angles; for Ricardo was, beyond any other economist in the line of orthodox economic succession, the most habituated to the ideas of the business world, the most familiar with the monetary mode of expressing social and economic valuations, the most commercially-minded, the most lacking in any previous training along philosophical or social studies that would give breadth of vision or perspective. It is a matter of no small significance that his ablest and most enduring economic writing was in monetary theory, and that he was the first (so far discovered) in the list of

⁶ Writer in *Westminster Review*, cited by Ingram, *A History of Political Economy*, p. 145, and by A. Toynbee, *The Industrial Revolution*, p. 4.

⁷ See the characterization of this period and explanation of its obscurity, Hamilton, "Place of Value Theory in Economics," *Journ. Pol. Econ.*, vol. 26, p. 235.

⁸ See E. Cannan, *Theories of Production and Distribution*, p. 130, also the writer's paper, "Population or Prosperity," *AMERICAN ECONOMIC REVIEW*, SUPPLEMENT, vol. III, pp. 5-6.

recognized economists to use an exclusively monetary definition of price of any variety.⁹

It was chiefly Ricardo who gave to the liberal economic doctrine, handed down from Adam Smith, both its appearance of theoretical completeness and its pronounced commercial character, which doubtless fitted it better to gain acceptance in practical affairs in England. Ricardo's conception of the economic process has never been surpassed in simplicity. We need not delay the economic reader with a repetition of the familiar outline of his system with its three factors, three shares, and three social classes. We note only his general social sympathies.

Labor's share in the distribution of the national income, Ricardo explained by a subsistence theory of wages combined with a wage-fund theory (both taken from Malthus). Laborers in any case will in the long run get just enough to live on (though somewhat casually it was recognized that a higher standard of comfort might modify this). In the short run they can get only the amount made possible by the wage-fund in the hands of employers. As between the other two classes, the landlords and the capitalists, who share the remainder, Ricardo's sympathies were with the latter. He saw in the landlords (although he became one himself) the shameless "food profiteers" of the Napoleonic wars whose prosperity was bought at the expense of the commercial classes.

Hostile to the landlord class, he was merely indifferent to the needs of the workers. Ricardo was a kindly man,¹⁰ supposed even to cherish the belief that he was a philanthropist,¹¹ and expressions of hostility to the laboring class are strikingly absent from his writings, but he seemed hardly to have thought of them at all as a part of the human problem. Speaking of Ricardo's views Adolf Held has remarked, "The laborer is regarded not as a member of society, but as a means to the ends of society, on whose sustenance a part of the gross income must be expended, as another part must be spent on the sustenance of horses."¹²

Ricardo's theory of distribution must be understood in connection with the group of assumptions, or creed, of the orthodox economists in relation to *laissez faire*, etc., as set forth below.

⁹ See article cited, "The Definition of Price," p. 787.

¹⁰ Toynbee, *op. cit.*, p. 7.

¹¹ See Gide and Rist, *Histoire des doctrines économiques* (1909), p. 137.

¹² Ingram, *op. cit.*, p. 135.

According to this view sympathy would be wasted. Labor was getting all it could, and the attempt to diminish any evils, however glaring, could but aggravate them. Employers were to be praised for all the good, but were blameless of any evil. There was a fatalism about the whole matter. This creed did not originate with Ricardo but rather it was the business man's interpretation of Adam Smith's doctrine of laissez faire. It had already become the accepted faith of the commercial classes, expressed in legislation on various labor problems after 1800 and culminating in the repeal of the Combination Laws in 1824.¹³ Ricardo's theory of distribution was fitted neatly to advance the practical needs of his commercial associates. In this he was doubtless quite honest and unconscious of the real situation.

Ricardian economics was in full vigor from 1818 until 1860, and has continued to have great, though declining, influence in professional economic circles even to the present time.¹⁴ In that period, and in the one country, England, a strict price economics was dominant as never elsewhere, or at any other time.¹⁵

The leading characteristics of the Ricardian, or so-called orthodox, or classical school of economics, at the period of its greatest influence may be grouped under three headings, omitting many minor or related matters.

1. Implicit belief in laissez-faire.

2. Commercial sympathies and adoption of the employers' point of view in respect to economic questions.

3. Monetary standards; price-measurements taken as ultimate in judgments of wealth and welfare. All these may perhaps be regarded as but phases of the first, as it would be interpreted by the successful commercial class of a rapidly developing industrial society such as England was at that time. Let us examine these three ideas somewhat more closely.

1. Belief in laissez faire became an unfaltering faith in the harmony between the general interests and the interests of any individual as he could advance them by his own action in business. This reached its extremest statement in Bastiat's *Economic Har-*

¹³ See specifically on this, Webb, *Trade Unionism*, pp. 53-56.

¹⁴ See A. Toynbee, *op. cit. passim*; Ingram, *op. cit.*, especially pp. 122-162, treating the period from Ricardo to J. S. Mill inclusive. This subject will be more fully treated in the sequel to this paper.

¹⁵ For statement particularly of the value theory of this period see Hamilton, *op. cit.*, *Journal of Political Economy*, vol. 26, pp. 236-245.

monies, but it is implicit in the whole body of doctrine. Expressed in another way, this was almost absolute faith in the benign results of free competition, particularly as opposed to any measures directed toward limiting freedom of contract among laborers. It was believed that no efforts other than those ensuring free competition, among workers and among other industrial agents could really promote the interests of the workers. This principle, however, was somewhat modified in application by experience showing that some interference, such as shortening the working day, did not reduce production or profits. There was no place for the consideration of popular welfare in such a scheme of thought where all industry was ruled by inexorable natural law, and self-aggrandizement by profit-making was held to be the truest public service.

There was in all this cult of *laissez-faire* a naïve acceptance of all existing artificial economic arrangements as the natural state of things; therefore there was obliviousness to the many interferences with free competition working on the side of property, inherited position, education, the limited class of employers, the powerful aggregations of wealth, and the whole system of institutions in the then contemporary English society.

2. The employer's point of view was thus implied in the principle of *laissez-faire*. It followed that all problems were considered primarily from the standpoint of the employers, the counting-house, and profits. The employers (not the ultimate consumers) were believed to be the source of employment for workers; with this easily went the wage fund doctrine, in which the capital of the employer is viewed as the source of wages, and the increase of the employers' capital, therefore, is the one effective way, in the long run, to improve the laborers' condition. The interest of economic study was primarily in production considered not as a goods-producing, but as a profits-producing process, that is for its effects on distribution. There was interest in exchange as a market process conducted by employers; there was hardly any interest in "consumption" of goods by the masses, as the true object of industry.

3. Closely connected with the foregoing was the expression and measurement of economic forces in terms of the unit of price. There was neglect, often the complete ignoring, of other than pecuniary motives in economic action. A treatment of questions from the price standpoint was believed to be adequate within the

scope of political economy; therefore "general welfare" interests and judgments were out of place except as partially reflected through the prosperity of the employing class. With this went the belief that all the moral issues of industry should be entrusted to price payment, the employer being a benefactor to the workmen in providing employment for them on any terms that they (the sufficient guardians of their own welfare) were willing, or could be made, to accept.

The "school" of price economists in England, by its comparative unity and compactness, exercised a powerful influence over the public opinion of the day. No other equally well organized school of thinkers was there to stand against it. It for a time dominated the thought of the educated upper classes of England and America (and still does in large measure), but it never succeeded in fully winning over the consciences or the intellects of the non-commercial public.

It might well repay the students of this subject to pass in review the voluminous evidence that could be brought to prove that these ideas were held almost unquestioningly by the dominant group of economists of that period. It may serve our purpose to observe how, from several sides, arose opponents, who with one accord attributed this general *creed* to the "orthodox school."

This opposition came from at least six different sources (if we include the modifications of doctrine arising among Ricardo's followers).

I. The factory law reformers, a combination of Tory landlords and of humanitarian reformers, pushed through a remarkable series of parliamentary acts even while Ricardianism was at its height and was gaining its greatest triumphs in the success of corn-law reform. Ricardo himself had helped in 1824 to repeal the combination laws which injured the workmen but, consistently with his price philosophy, he opposed the factory acts.¹⁶ The authority of the laws of political economy was constantly invoked against the passage of these acts. "Free traders" favoring the repeal of the corn laws regularly lined up against factory legislation, which was mainly, though not always heartily, supported by the Tory landlords.¹⁷ No man ranked as an economist appears

¹⁶ Toynbee, *op. cit.*, p. 130.

¹⁷ As to the period 1841-1847, see Hutchins and Harrison, *A History of Factory Legislation* (2d ed., 1911), p. 61-62; Cooke-Taylor, *The Factory System* (2d ed., 1912), p. 58, as to act of 1816; p. 79, as to act of 1833.

to have taken any part in their favor, and some, notably Nassau Senior,¹⁸ put themselves strongly on record as opposed to any such interference with the workings of competition.¹⁹

Macaulay, not posing as an economist but appealing to experience, made a strong speech in favor of the act of 1847,²⁰ while Joseph Hume, John Bright, J. A. Roebuck, Cobden, Sir James Graham, and others, speaking in the name of the "authoritative" political economy, opposed it.²¹ It is interesting to note that in this circle there was between 1847 and 1860 a great change of sentiment, a conversion to shorter hour legislation, simply because experience showed that the shorter working day had not reduced the output per worker, indeed might even increase it, hence, did not reduce profits.²² The change of sentiment extending to a large proportion of the manufacturers themselves was manifest at the time of the passage of the act of 1864 extending the principle to many enumerated industries.²³ Thus against its will the Ricardian price economics (as represented by the leading economists in England, and by numerous American economists continuing most nearly the tradition of the "orthodox" English school) became converted to interference with freedom of contract in this one class of cases, for reasons consistent with its faith in employers' profits as the index or as the source of general welfare.

It is well to recall that throughout the period of which we are speaking Great Britain was becoming less and less self-supporting agriculturally, and, correlatively, was more and more expanding her foreign trade. Further increase of exports, the opening of new and larger markets for British manufacturers, appeared to the commercial eye to be the one objective test of wisdom in eco-

¹⁸ In 1844, by his famous last hour argument against the ten hour act. Hutchins, *op. cit.*, pp. 88-89.

¹⁹ As late as the discussion preceding the passage of the act of 1878, from 1873 on, Professor Fawcett, "and other doctrinaire liberals" advocating a strictly logical equal treatment of women, equal responsibilities and equal privileges for both sexes, opposed legislation in their favor. (See Cooke-Taylor, *op. cit.*, p. 110.) Fawcett spoke, however, in favor of the Factory Acts extension act of 1867 on the ground that it did not involve "any contravention of the principle of economy in legislation." (Hutchins and Harrison, *A History of Factory Legislation* (2d ed., 1911), pp. 166-175, 185.)

²⁰ In May, 1846; see Hutchins, *op. cit.*, p. 94.

²¹ Hutchins, *op. cit.*, p. 95.

²² *Idem*, p. 122.

²³ *Idem*, p. 155; see also p. 160.

nomie policy; any attempt to improve wages or working conditions was prejudged to be mischievous for it would check exports. British laborers existed for the sake of British trade, not British trade for the good of the British masses; this was the unconscious assumption of the liberal economists of that day.

II. The ethical protest against price economics was led by Thomas Carlyle, who voiced his opinions with characteristic vigor in three successive groups of essays. The first, entitled "Chartism," appeared in 1839 as a solemn prophetic warning to the ruling classes that in view of existing conditions they must do something positive for the miserable masses, or expect revolution. "A government of the under classes by the upper on the principle of Let-alone is no longer possible in England in these days. This is the one inference inclusive of all."²⁴

Among his many protests against price as the measure of economic quantity are these famous words: "Cash payment the sole nexus; and there are so many things which cash will not pay! Cash is a great miracle; yet it has not all power in Heaven, nor even on Earth."²⁵

He sweeps aside price as the measure of well-being, economic or other. "What constitutes the well-being of a man? Many things; of which the wages he gets, and the bread he buys with them, are but one preliminary item."²⁶

He reiterated the same protest more strongly in 1843 in *Past and Present*, in thunderous denunciation: "England is full of wealth, of multifarious produce, supply for human want in every kind; yet England is dying of inanition."²⁷ "To whom then is this wealth of England wealth? Who is it that it blesses; makes happier, wiser, beautifuler, in any way better?"²⁸

He gives this testimony to the overwhelming authority exercised at that time by price economics: "British God-forgetting Profit-and-loss Philosophy and Life-theory, which we hear jangled on all hands of us, in senate houses, sporting clubs, leading articles, pulpits and platforms, everywhere as the Ultimate Gospel and Candid Plain-English of Man's Life, from the throats and pens

²⁴ *Works*, vol. 16, p. 71.

²⁵ *Idem*, p. 84.

²⁶ *Idem*, p. 44.

²⁷ *Past and Present, Works*, vol. 12, p. 3.

²⁸ *Idem*, p. 8.

and thoughts of all—but all men!”²⁹ And he again prophecies downfall unless there is a change: “With our present system of individual Mammonism, and Government by Laissez-faire, this nation cannot live.”³⁰

Again in 1850 in *Latter Day Pamphlets*, Carlyle returned to the same theme, reiterating his call for leadership of the weak by the strong, the captain of industry. “I say, it is the everlasting privilege of the foolish to be governed by the wise; to be guided in the right path by those who know better than they.”³¹ His doctrine of hero-worship was his one offering in the way of constructive suggestion. This was an aristocratic state socialism, inspired by a somewhat romantic conception of benevolent patronage of the weak by the strong—not entirely unrealized in the course of after-events to the days of Lloyd George.

The one issue on which, by chance, Carlyle agreed with the Ricardian economists was the abolishing of the Corn Laws. He declared³¹ that for ten years no argument had been advanced for the wisdom of those laws, “but such as might make the angels and almost the very jackasses weep.” To him the worst of “these mad and miserable Corn-Laws is independent altogether of their ‘effect on wages,’ their effect on ‘increase of trade,’ or any other such effect.” It was the “continual maddening proof” of the incompetency of the “Governing Class.”³² But Carlyle did not expect too much from a merely negative measure, such as repeal of a law. He wrote prophetically (in 1843): “The Corn-Laws will go, and even soon go; would we were as sure of the Millenium as they are of going.”³³

Carlyle’s fulminations on economic evils gave offense in some quarters³⁴ but, uttered, as they were, when he was at the very height of his literary reputation, had doubtless a notable effect upon current opinion, and may have had no small part in hastening various measures of parliamentary reform. But Carlyle’s

²⁹ *Past and Present*, Works, vol. 12, p. 181.

³⁰ *Idem*, p. 247.

³¹ *Works*, vol. 2, p. 281.

³¹ In 1843, *Past and Present*, Works, vol. 12, p. 25.

³² *Ibid.*, vol. 12, p. 172.

³³ *Idem*, p. 176.

³⁴ See on reception of Chartism, “radicals and others yelping,” *Correspondence of Carlyle and Emerson*, p. 261; on “the horrible barking of the Universal dog-kennel” awakened by *Latter Day Pamphlets*, *idem*, vol. 2, p. 189; on “showers of abuse” for them, *idem*, p. 215.

greatest and most abiding influence was destined to be through the medium of another personality. John Ruskin, who had already gained a precocious reputation as an art critic, began to be moved, as early as 1848, when less than thirty years of age, by the political and social opinions of Carlyle.³⁵ He attempted seriously to study the current political economy, and came to the belief that "nobody knows anything about it."³⁶ His thoughts began to take shape in essays and lectures, and appeared principally in collections under five titles between the years 1860 and 1872, beginning with *Unto this Last* and concluding with *Fors Clavigera*. His denunciation of competition and of price as the standard of weal was as scathing as that of Carlyle. In his economic writings there are doubtless inconsistencies, fallacies, and practical absurdities, but there is a deep spirit of conviction and a lofty ideal of the true aim of all industry as the manufacture of "souls of good quality." His economic doctrine is best summed up in the sentence, "That country is the richest which nourishes the greatest number of noble and happy human beings." He strikes off in a phrase the same contrast that has been heard since his time, between "mercantile economy, the economy of 'merces' or of 'pay,'" and political or national economy. Ruskin emphasized the esthetic values as Carlyle did not, and more than Carlyle the dominance of moral values over the pecuniary values. Like Carlyle he was reactionary in his romantic admiration for the past, and was mainly negative; but was somewhat more positive than Carlyle in his philosophy of social needs and action.

Ruskin shocked many of his contemporaries by his economic and social views, and, great as was his literary reputation, his contributions were for a time refused by the publishers because the public would have no more of "such rubbish."³⁷ But there can be no question that his influence was immediately great and has continually grown. Probably few would dispute the judgment that "Ruskin as a social teacher, wields a more intense and impressive influence than any of his contemporaries."³⁸ This he has done through the medium of his intellectual disciples. Among

³⁵ J. A. Hobson, *John Ruskin, Social Reformer*, p. 48.

³⁶ *Idem*, p. 51.

³⁷ The Magazine was Fraser's; the essays, of which a part had been published, were those later embodied in *Munera Pulveris*. See Hobson, *op. cit.*, p. 56.

³⁸ J. M. Robertson, *Modern Humanists*, p. 194.

them was A. Toynbee, said to have been the foreman in Ruskin's amateur road building gang of Oxford students.³⁹ Another disciple is J. A. Hobson, Ruskin's admiring biographer.⁴⁰ Probably in some measure touched by his influence are all the modern English reformers of the Fabian school, and the line of his influence came to blend (paradoxically, because of his non-religious attitude) with those of Christian socialism and the Oxford movement.

There is some temptation to link the name of Emerson with those of Carlyle and Ruskin to form a great triumvirate of moral protest against the price economics. His fine positive epigram, "The best political economy is the care and culture of men," surpasses all the denunciatory phrases of either Carlyle or Ruskin in its perfect fitness to characterize an economics of Manhood as opposed to one of Mammon. Emerson, from the time of his trip to England and his personal meeting with Carlyle in 1833, was in touch with him by correspondence for nearly forty years, and cherished a great admiration for him. Emerson's writings abound in judicious suggestions for the wise use of material means, but the circumstances of America favored the cult of the individual, and Emerson at times commits himself to a doctrine of laissez faire and of economic harmonies that would have satisfied the most orthodox of his contemporaries, the Ricardian economists.⁴¹ Emerson's usual point of view in his philosophy is that of individual conduct and culture rather than that of social polity. But he would have the individual large-minded and not forgetful of his fellows.

III. A third powerful protest against the then dominant price economics came from the English Christian socialists. This group was formed in the stormy days of April, 1848, when London was near to a state of revolution. The movement then started by Charles Kingsley and a group of churchmen of whom the intel-

³⁹ See R. A. Woods, *English Social Movements* (1891), p. 82.

⁴⁰ *John Ruskin, Social Reformer*, 1898.

⁴¹ E.g. see *Emerson's Works*, Little Classics edition, *Conduct of Life*, page 75, in essay on "Wealth"; praise of self-reliance as the cause of English prosperity; and page 86 a remarkable paragraph beginning: "Wealth brings with it its own checks and balances. The basis of political economy is non-interference. The only safe rule is the self-adjusting meter of demand and supply. Do not legislate. Meddle, and you snap the sinews with your sumptuary laws," etc.

lectual leader was Frederick Denison Maurice, is thus characterized by Dean Stubbs:⁴²

The Christian Socialist Movement . . . which undoubtedly in the latter half of the century has done so much, not only to promote a more brotherly spirit between rich and poor—"the two nations into which," according to the well-known phrase in Disraeli's *Sybil*, "England was divided"—and to create a desire at least on the part of the more cultured classes, to seek for a more Christian, and therefore more reasonable, solution of the social and labour problem, but also to foster the growth of the great industrial coöperative societies, whose success promises so much for the industrial future of the country, and points in all probability to the direction in which lies the ultimate solution of the problem of Labour and Capital.

English Christian socialism was in certain ways a development of the "Oxford movement" in the Church of England, which in a somewhat wider aspect was "the Anglican revival," though "the two terms are by no means convertible."⁴³ The name Christian Socialism was adopted in 1850. These theological opponents of the dominant price economics reached many conclusions in substantial accord with those of the secular moralists of Ruskin's school. In an early tract⁴⁴ they "protest against that idolatry of social mechanism, which imagines society as a mere assemblage of wheels and springs, and not as a partnership of living men, which takes account of the form alone and not of the spirit which animates it." But apparently there is a fling at Carlyle in the protest "against that idolatry of individual will . . . which looks for all social improvements to the mere genius of some mighty leader."⁴⁵

Kingsley still had hope, however, "that political economy can and will learn how to cure these evils," but impatiently declared that "the man who tells us that we ought to investigate nature, simply to sit still patiently under her, and let her freeze, and ruin and starve and stink us to death, is a goose, whether he calls himself a chemist or a political economist."⁴⁶

Many men active both in church and in labor movements in the following forty years were in this group. They were leaders in advancing the coöperative movement and in forming the Co-operative Wholesale Society in 1864; they founded in 1876 the

⁴² Charles Kingsley and the Christian Social Movement, p. 103-104.

⁴³ Stubbs, *op. cit.*, p. 15.

⁴⁴ Tract V., in 1850; cited by Stubbs, *op. cit.*, p. 139.

⁴⁵ *Op. cit.*, pp. 139-140.

⁴⁶ *Idem*, p. 141.

Guild of Saint Matthew, composed of members of the Anglican clergy, and, a few years later, the Christian Social Union. Their influence may be traced in the notable statement by two hundred Anglican bishops at the Lambeth Conference in 1897. The list of men of influence active in the Christian socialist movement or strongly affected by it would be a long one, including Thomas Hughes, Arnold Toynbee, and Canon Barnett of Toynbee House. The University Settlement movement in England had its origin and much of its development at the hands of this group of men. The total influence of the Christian Socialist opinion, penetrating, as it has, into every corner of middle and upper-class thought, liberal and conservative, has surely been tremendous, and contributed largely to the discrediting of the orthodox price economics.

IV. A fourth protest against the assumptions of price economics came from the ranks of the laborers, from unorganized doubtless as well as those organized in trade unions, though only the trade unions voiced their protest audibly. The issue in this case was as to the power of unions to raise wages. The price economists' counsel of non-interference here found its main theoretical support in the wages fund, though closely fitting into this were their theories of the accumulation of capital, and of the principle of population. Together these completely denied the power of trade unions to raise wages in any general way or excepting at the cost of other laborers. The scholarly historians of English trade unionism have all but completed this part of our present task.⁴⁷ While refuting and condemning "the classic economics," the Webbs preserve a judicial attitude by suggesting that its theory of wages was more incidental and subordinate than is the case today, that its thought was directed to other problems, and that certain conditions peculiar to that day gave much plausibility and fitness to the then current wage doctrines.⁴⁸ But the modern verdict is summed up in the words of an Oxford professor, successor in the chair once held by Nassau Senior: "In the matter

⁴⁷ Sidney and Beatrice Webb, *Industrial Democracy* (1897), chapter on "The Verdict of the Economists," p. 603; see also A. Toynbee *op. cit.*, pp. 158-159.

⁴⁸ *Op. cit.*, p. 617. See also E. Cannan's clear characterization of the peculiar fitness of the Ricardian economics to aid in some then current controversies, notably those of the reform of the poor law and the repeal of the Corn Laws. *Theories of Production*, etc., pp. 391-2.

of unionism, as well as that of the predeterminate wage-fund, the untutored mind of the workmen has gone more straight to the point than economic intelligence misled by a bad method."⁴⁹

No doubt this attitude of authoritative economics toward unions was largely responsible for generating among the better organized, more intelligent workers, both in England and in America, that hostility they have shown toward anything that goes by the name of political economy.⁵⁰ This hostility has always been mingled with something akin to contempt, for the reason that events had convinced the world of the error of "the economists," a name which to the workers' minds, covers all middle class theorists on labor questions. This feeling still lingers even after a great change has occurred in economic and in public opinion.⁵¹ A new generation of "economists," with different training and antecedents, has in some measure got a sympathetic understanding of labor problems, and has gained the confidence of many of the leaders of labor, and thereby has incurred the suspicion in some cases, and the hostility of the more uncompromising members of the employers' group, both in America and in England.

⁴⁹ *Op. cit.*, page 653, quoting F. Y. Edgeworth, *Mathematical Physics*, p. 45. Professor F. W. Taussig, while showing that the orthodox writers had very vague views as to the "precise meaning of limits of the wage-fund" (*Wages and Capital: An Examination of the Wages Fund Doctrine* (1896), pp. 212-213), implies that at least until after John Stuart Mill they did not use the wages fund against trade union efforts. He says that they did not propound "an unalterable wage fund . . . for the confusion of the unionists" and that their spirit "is by no means of that intolerant sort" toward trade union efforts that the tradition as to the tenets of the school "would lead us to expect." Professor Taussig's first reference is to Robert Jones of whom Professor Seligman has shown ("On Some Neglected British Economists," *Econ. Journ.*, vol. 13, pp. 10-12) that while he "originated the theory of wages usually ascribed to Ricardo," he did not draw from it by any means the same conclusion, and disagreed with Ricardo's view in many particulars. Professor Taussig's only other reference in support of his view is to McCulloch; tolerant expressions are cited from his *Essay on Wages* (1825), but no positive condemnation of trade union efforts is said to occur in his *Political Economy* or in his other writings up to 1854 (the second edition of his *Essay on Wages*). But this apparently overlooks other passages cited by the Webbs (*Trade Unionism*, pp. 606-607) from McCulloch's article on "Combinations" (1823) and his "Treatise, etc.," 1851.

⁵⁰ See Toynbee's definite statement, *op. cit.*, p. 160.

⁵¹ In England about 1875; see Webb, *Trade Unionism*, p. 615.

V. The various characteristics of the Ricardian economics may be modified moderately or more extremely. The alternatives to its theory of value, to its theory of distribution, or to its commercial class sympathies are not necessarily their direct opposites in every respect. The groups above mentioned reacted in various degrees from the dominant commercial economics. But almost immediately after the formulation of Ricardo's system more extreme protests against it were voiced by writers who are now denominated socialistic. The extreme reaction came naturally in England, both because the evils of capitalism first showed themselves there most clearly, and because the philosophy of the capitalistic economy was there first given its extreme formulation in "orthodox" economics.

The protest by contemporary socialistic thinkers against the Ricardian commercial economics did not bulk so large in the thought of influential circles at the time as did that of any one of the groups heretofore mentioned. But in its portentous possibilities of later growth, increasing in geometrical ratio even to the present moment, the socialist protest might well be said to outweigh all the others in significance.⁵² In volume of publications, also, this protest bulks larger than any of the others. Hundreds of socialistic books and pamphlets were published in England in the first half of the nineteenth century and over a hundred different periodicals were started, some of which survived for many years. These publications dealt with all aspects of Owenism, coöperation, chartism, and communism, but have a common quality that warrants grouping them together as the literature of radical protest against the Ricardian commercial economics.⁵³

We are accustomed to associate the extremest form of the socialist doctrine with the name of Marx, but the first edition of his main book *Das Capital* did not appear until 1867, some seventeen years after he had come to live in England; and the earlier work

⁵² See Professor H. S. Foxwell's list of writers in his introduction to A. Menger's *The Right to the Whole Produce of Labor* (first German ed., 1886) English translation, 1899, p. xxvii. Especially significant are the following whose writings fall at or within the dates indicated, mostly after Ricardo's work appeared: William Godwin, 1793-1831; Charles Hall (published 1805 but controverted in 1821, and reprinted 1850); William Thompson, 1824-1830; John Gray, 1825-1848; Thomas Hodgskin, 1825-1832; J. G. Bray, 1839.

⁵³ The classified list of this literature fills 78 pages of the English edition of Menger, including, however, a small proportion of non-socialistic studies and criticisms of this movement.

of which it was a continuation, *Zur Kritik der Politischen Oekonomie*, was first published in 1859. Careful study has shown that all of Marx's essential ideas had been advanced and some of them much better elaborated by others a third of a century earlier, notably by Thompson.⁵⁴

The exaggeration, the extreme class bias, and the dogmatic assertion of the commercial economics made the Marxian theory not only possible but, as a matter of psychology, inevitable. Ricardo's assumptions, errors, and abstractions contained in them not only the provocation to moral reaction, but the logical seeds of the Marxian "scientific" theory of value. When Marx begins to wane in his fervor and indignation, he needs but to recall some such grotesque "orthodox" economic conception as Senior's "last hour" argument in favor of the longer working day, to recover all his irony and scorn. He refers to Senior as this "bel-esprit of English economists, well known alike for his economical 'science' and for his beautiful style."⁵⁵ It is the irony of fate that these radical contemporary opponents of Ricardo have come to be designated as "the Ricardian socialists."⁵⁶

VI. Our survey of the forces tending to discredit and to modify the commercial economics would be incomplete if we failed to add a sixth item to our list, namely a gradual change of opinion among the liberal middle-class economists themselves. There were, within the body of doctrine of the orthodox economics, germs of internal disintegration, or, to put it more gently, forces of change and further development. Throughout the whole period when the orthodox economics was most completely dominant (about 1815 to 1860) voices were raised from time to time in protest against this or that theory or assumption. Altogether the list of such dissenters is a notable one, including Malthus, Torrens, Richard Jones, Sismondi, Craig, Bailey, Cotterill, Lloyd, Ravenstone,

⁵⁴ See Menger, *op. cit.*, p. 102. Professor Foxwell thinks it conclusively proved "that all the fundamental ideas of modern revolutionary socialism, and especially of the Marxian socialism, can be definitely traced to English sources." (*Op. cit.*, p. xxvi.)

See *e.g.*, Foxwell, *op. cit.*, pp. xl, lxxxiii, and Menger, *idem*, p. 39; see also Thomas Kirkup, *A History of Socialism* (1892), pp. 143, 146-147, expressing a verdict that is now scarcely disputed.

⁵⁵ *Capital*, ch. 9, sec. 3.

⁵⁶ Foxwell, *op. cit.*; also Seligman, on "Some Neglected British Economists," *The Economic Journal*, vol. XIII, p. 35.

Read, Longfield, and others.⁵⁷ But though right was with them and time has vindicated their opinions, they had no cumulative effect. The circumstances of the time seemed to conspire to give to the commercial school, despite its lack of organization, the leadership of opinion up to 1846 (the repeal of the Corn Laws) and then, for another period of some twenty years to enable it to enjoy the remarkable prestige won by this success and by the prosperity of the nation that followed.⁵⁸

This was the Augustan age of the classical economics, even while many forces were at work weakening its moral and intellectual supports. Contributing largely to the authority of the dominant political economy in this period was the treatise of John Stuart Mill, published in 1848, which with "its popular qualities and apparent completeness," as E. Cannan expresses it, gave a look of unity and finality to the whole group of doctrines. But the work contained within itself many conflicting elements, most notably two: the attempt on the one hand to reformulate the theory of value, and on the other to humanize or socialize Ricardian individual economics by the consideration of projects for betterment, such as coöperation, land reform, etc. The Ricardian economics of J. S. Mill was that learned when he was a mere boy, from his own father. For a long period before writing his book J. S. Mill had given little thought to scientific economics. As a most able English critic says: "Mill's structure of the theories of production and distribution, though plastered over with a fresh stucco of explanation and limitation, had been built twenty years earlier."⁵⁹ Says another, "It is, in scientific substance, little or nothing more than an elegant exposition of the Ricardian economics."⁶⁰ It incorporated all the Ricardian theoretical crudities such as the labor theory of value, the wage fund, the confused capital concept, and many more. The apologies and qualifications which were introduced in the middle of each chapter after the preliminary statement of Ricardian doctrine were, at the close of the chapter, usually waived aside as non-essential, the result

⁵⁷ These and others are named by Seligman, *op. cit.*, and most of them are treated by Ingram, *op. cit.* Other names before 1870 included by Webbs' *Trade Unionism*, page 618, among those who never accepted the wage fund, are Banfield, MacLeod, and, in America, Wayland, A. Walker, Bowen, Raymond, E. P. Smith.

⁵⁸ Ingram, *op. cit.*, p. 146, quoting Sidgwick.

⁵⁹ E. Cannan, *op. cit.*, pp. 290-391.

⁶⁰ Ingram, *op. cit.*, p. 149.

being a futile eclecticism. In his attempt to introduce the social elements Mill shows hardly a trace of contact with the English socialist movement, but turns to the French Utopians for inspiration. Even moderate and liberal critics, such as Roscher, Ingram, Cannan, declare that he is in matter of philosophy and theory, "incoherent," and that he failed to realize his purpose. These and other similar conclusions reached by moderate "bourgeois" critics, though they have a different spirit and point of view, strongly support the scornful characterization by Marx, of the work of Mill as the "attempt to reconcile irreconcilables," "a shallow syncretism," "a declaration of bankruptcy by bourgeois economy."⁶¹ The more moderate of these opinions of Mill's *Principles* is further justified by his later recantation of some essential parts of his theoretical scheme, and by the destructive effect of later criticism upon almost every feature of his supposedly systematic doctrine. It remains hardly more than a mass of theoretical junk, in the eyes of competent present-day scholarship. A modern economist hazards his reputation as a student of economic philosophy when he professes (as some one occasionally does even now) that "a modernized Mill" is his ideal of a present-day treatise on economics.

But for a time the few critics of Mill were almost unheard amid the chorus of adherents. Then in the sixties and the seventies began, within the circles of the recognized middle class economists of England and America, that process of change in matters of method, of sympathies and attitude, and of rational theories, that continued till the end of the nineteenth century. Our readers are familiar with the main features of the noteworthy change wrought in English political economy in that period, both by the internal theoretical revisions and by the play of external forces. J. E. Cairnes' attempt⁶² to repair the defects of the theory of value as formulated by Mill but served to expose more fully its fundamental unsoundness. Other notable influences were the subjective-value revisionists, Jevons, Clark, and the Austrian economists; and the historians and social reformers, represented in England by Rogers, Cunningham, Ashley, Ingram, Toynbee, Hobson, and others. The moral, religious, and democratic protests largely transformed aristocratic and middle-class opinion, changing thus

⁶¹ Author's preface to the second edition of *Capital* (1873).

⁶² *Some Leading Principles*, 1874.

the very class environment and constituency of the professional economists. The change was marked by the passing of the old and the advent of a new generation of economists, with different training and professional ideals.⁶³

We have now reviewed in broad outlines the beginnings and the characteristics of the price economics of the nineteenth century. We have not attempted an independent criticism of its defects as to internal logic and as a system of thought. That task has engaged many able contemporary critics and most students concede that the orthodox theoretical system has been thoroughly discredited. But we have shown how, from many sides, came protests against the very premises and postulates of price economics as well as against its conclusions. We must here halt our inquiry somewhat abruptly to continue it in a later paper. From some quarters today is heard the proposal not only that price should be the center of economic interest, but that the recent tendency in the otherwise divergent schools of thought are all toward the ideal of price economics. We shall, therefore, in the next paper examine this statement as to present tendencies and shall inquire whether price can now be made the ideal and center of economic study.

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⁶³ It is often overlooked in discussion of earlier economic opinions that the "orthodox" economists were volunteers from many other callings. We may recall as examples that Smith was a professor of philosophy, Malthus a preacher, J. B. Say an insurance clerk and later a cotton manufacturer, Ricardo a stock broker, Senior a lawyer, Torrens a soldier, James Mill a government employee, and J. S. Mill a writer on political philosophy and logic. Each of these men became a self-trained and self-styled economist without the aid of any special studies or systematic instruction, such as are demanded today of those preparing to be academic teachers of economics. Anybody then was an economist who called himself such. Today we properly speak of an economist as one of a guild of really professional scholars who have undergone serious training both in the special subject and in the spirit of scientific work.